

Capital Requirements Directive: exempted entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers and capital conservation measures

2016/0364(COD) - 07/06/2019 - Final act

PURPOSE: to strengthen the banking sector and resolve outstanding financial stability issues.

LEGISLATIVE ACT: Directive (EU) 2019/878 of the European Parliament and of the Council amending Directive 2013/36/EU as regards exempted entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers and capital conservation measures.

CONTENT: this Directive amends Directive 2013/36/EU on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms with a view to strengthening and refining existing EU legal acts which ensure uniform prudential requirements for institutions throughout the Union.

The Directive is part of a comprehensive package of legislative measures that will reduce risks in the banking sector and further strengthen banks' ability to withstand potential shocks.

This package contains amendments to the legislation on capital requirements ([Regulation \(EU\) No 575/2013](#) and [Directive 2013/36/EU](#)) that strengthen banks' capital and liquidity positions. It also consolidates the framework for the recovery of banks in difficulty and the resolution of their failures ([Directive 2014/59/EU](#) and Regulation (EU) No 806/2014).

The measures adopted implement reforms agreed at the international level following the 2007-2008 financial crisis with the aim of strengthening the banking sector and addressing outstanding financial stability issues. They include elements approved by the Basel Committee on Banking Supervision and the Financial Stability Board (FSB).

The Directive contains the following key measures:

- the need to provide for a specific approval procedure and direct supervisory powers over certain financial holding companies and mixed financial holding companies in order to ensure that such holding companies can be held directly responsible for ensuring compliance with consolidated prudential requirements, without subjecting them to additional prudential requirements on an individual basis;
- a leverage ratio requirement for all institutions as well as a leverage ratio buffer for all global systemically important institutions;
- a net stable funding requirement;

- the requirement for Global Systemically Important Institutions (G-SIIs) to hold minimum levels of capital and other instruments which bear losses in resolution. This requirement, known as 'Total Loss-Absorbing Capacity' or TLAC), will be integrated into the existing MREL (Minimum Requirement for own funds and Eligible Liabilities) system, which is applicable to all banks;
- the consideration of the size, structure and internal organisation of institutions and the nature, scope and complexity of their activities in the prudential supervision and assessment process; the competent authorities may take into account the risks specific to each institution or modify the institution-specific nature of the measures imposed;
- the obligation for establishments to apply the principle of equal pay for men and women for the same work or work of equal value;
- the possibility for competent authorities to communicate to an institution, in the form of guidance any adjustment to the amount of capital in excess of the relevant minimum own funds requirements, the relevant additional own funds requirement and, as relevant, the combined buffer requirement or the leverage ratio buffer requirement that they expect such an institution to hold in order to deal with forward looking stress scenarios;
- the systematic integration by the competent authorities of money laundering and terrorist financing considerations into their relevant supervisory activities.

The European Systemic Risk Board (ESRB) shall play a key role of the European Systemic Risk Board (ESRB) in coordinating macroprudential measures and in transmitting information on planned macroprudential measures in the Member States, in particular through the publication of adopted macroprudential measures on its website and through information sharing across authorities following the notifications of planned macroprudential measures.

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